

Franchise Tax Board**ANALYSIS OF AMENDED BILL**

Author: DeSaulnier Analyst: Brian Werking Bill Number: SB 803
Related Bills: See Legislative History Telephone: 845-5103 Amended Date: March 22, 2011
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Youth Leadership Fund

SUMMARY

This bill would allow taxpayers to make voluntary contributions to the California Youth Leadership Fund on their state personal income tax returns.

SUMMARY OF AMENDMENTS

The March 22, 2011, amendments removed intent language and added provisions that would establish the California Youth Leadership Fund.

This is the department's first analysis of this bill.

RECOMMENDATION AND SUPPORTING ARGUMENTS

No position.

PURPOSE OF THE BILL

It appears from the language of this bill that the purpose of this bill is to promote youth civic engagement through meaningful opportunities to improve the quality of life for California's disconnected and disadvantaged youth.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2012, and operative as of that date. If another fund is removed, the fund could first appear on the 2011 personal income tax return filed on or after January 1, 2012.

ANALYSIS**FEDERAL/STATE LAW**

Current federal tax law provides a check-off to direct \$3 of a taxpayer's tax liability to the Presidential Campaign Fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Board Position:

____ S ____ NA X NP
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____ N ____ OUA

Executive Officer

Date

Selvi Stanislaus

4/14/11

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to any of the 15 voluntary contribution funds (VCF) listed on the 2010 state personal income tax return (return).

With the following exceptions, VCFs remain on the return until they are either repealed or fail to meet their minimum contribution amount:

- Except for the California Seniors Special Fund, which has no sunset date, each VCF has a specific sunset date.
- Except for the California Seniors Special Fund, the California Firefighters Memorial Fund, and the California Peace Officer Memorial Foundation Fund, each VCF must meet an initial minimum contribution amount of \$250,000.
- Except for the California Fund for Senior Citizens, each of the remaining VCF minimum contribution amounts is adjusted annually for inflation.

The annual inflation adjustment is based on the percentage change in the California Consumer Price Index. The Franchise Tax Board (FTB) is required to make the following two determinations for each VCF by September 1 of each calendar year:

1. The minimum contribution amount required for the VCF to remain on the return for the following calendar year, and
2. Whether estimated contributions to the VCF will be less than the minimum contribution amount for that calendar year.

If the FTB estimates that a VCF will fail to meet or exceed the minimum contribution amount for a calendar year, that VCF is repealed effective January 1 of that calendar year.

Current state law provides that if the number of contingent voluntary contribution designations¹ that are eligible to be added to the personal income tax return is greater than the number of designations removed, then the voluntary contribution designations may be queued and added to the return in order of the date of enactment.

THIS BILL

This bill would establish the California Youth Leadership Fund and would allow taxpayers to designate their own funds (not tax liability) for contribution to the fund on their personal income tax returns in full dollar amounts of \$1 or more. Each signatory on a joint return may make the contributions individually. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

This bill would require the FTB to revise the return to include a designation space for the fund beginning with the first taxable year that another voluntary contribution fund is removed. This designation could be added to the 2011 tax return filed on or after January 1, 2012.

¹ A contingent voluntary contribution designation is a voluntary contribution designation that contains specific language stating that it may not be added to the return until another voluntary contribution designation is removed from the return.

For the second taxable year the fund is on the return, this bill would require the fund to meet the \$250,000 minimum contribution test. The FTB is required to estimate by September 1 of each calendar year after the first taxable year the fund appears on tax returns that contributions made under this bill will be less than \$250,000 (as indexed for inflation). The law authorizing designations for this fund would be repealed if contributions made under this bill will be less than the minimum contribution amount.

This bill would allow the voluntary contribution designation to remain on the tax return for five years unless a later enacted statute deletes or extends that date.

Beginning with the third calendar year after the fund appears on the return, the FTB would adjust the minimum contribution amount for the fund by September 1 of that year. The minimum contribution amount would adjust according to the California Consumer Price Index (also known as the CCPI).

This bill would specify that if payments and credits reported on the return do not exceed the taxpayer's liability, then the taxpayer's return shall be treated as if no designation has been made. If no designee is specified, a designated contribution amount would be transferred to the General Fund.

This bill would require the Controller to transfer money designated for this fund by taxpayers from the Personal Income Tax Fund to the California Youth Leadership Fund. Upon appropriation by the Legislature, monies would be transferred from this fund to the State Controller's Office and the FTB for reimbursement of the costs associated with administering this fund. The remaining monies would be allocated to the Joint Committee on Rules, which would oversee the allocation of funds to the California Youth Leadership Project Committee. The California Youth Leadership Project Committee would be created by this bill to implement the California Youth Leadership Program that would provide scholarships to youth to participate in civic engagement programs.

This bill would allow the taxpayer to take an itemized deduction on their federal and state tax returns for the year in which the voluntary contribution is made.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not impact the department's programs and operations.

LEGISLATIVE HISTORY

AB 233 (Hall, 2011/2012) would establish the California YMCA Youth and Government Fund as a voluntary contribution fund. Similar to this bill, the California YMCA Youth and Government Fund's purpose is to promote youth civic engagement. This bill currently resides in the Assembly Committee on Appropriations.

AB 564 (Smyth, 2011/2012) would establish the Municipal Spay-Neuter Fund as a Voluntary Contribution Fund designation. This bill currently resides in the Assembly Committee on Appropriations.

AB 764 (Swanson, 2011/2012) would establish the Victim-Witness Assistance Fund as a voluntary contribution fund. This bill currently resides in the Assembly Committee on Appropriations.

AB 971 (Monning, 2011/2012) would re-enact the Sea Otter Fund designation with a January 1, 2016, sunset date. This bill is scheduled for hearing in the Assembly Revenue and Taxation committee on April 11, 2011.

SB 164 (Simitian, 2011/2012) would extend the repeal date of both the State Children's Trust Fund and the Fish and Game Preservation Fund to January 1, 2018. This bill currently resides in the Senate Committee on Appropriations.

SB 583 (Vargas, 2011/2012) would re-establish the Amyotrophic Lateral Sclerosis (ALS)/Lou Gehrig's Disease Research as a voluntary contribution fund. This bill is scheduled for hearing in the Senate and Governance committee on April 27, 2011.

AB 2017 (Hall, 2009/2010), would have allowed taxpayers to make voluntary contributions to the California Youth Leadership Fund on their state personal income tax returns. The Fund would have been used to establish and operate the California Youth Legislature. The bill was vetoed² by Governor Schwarzenegger on September 25, 2010, because the bill was contingent on the passage of SB 516, which created a new government organization.

SB 516 (DeSaulnier/Torlakson, 2009/2010), similar to this bill, would have established the California Youth Legislature to promote youth civic engagement. The bill was vetoed³ by Governor Schwarzenegger on September 25, 2010, because the Governor found that youth civic engagement would not require the creation of a new government organization.

PROGRAM BACKGROUND

Fifteen voluntary contribution funds appear on the 2010 California personal income tax return. Total contributions to these funds have varied from approximately \$3.2 million in 1990/1991 to approximately \$5 million in 2009/2010.

OTHER STATES' INFORMATION

The states surveyed include: *Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Illinois, Massachusetts, Michigan, Minnesota, and New York allow taxpayer contribution designations on the personal income tax return; however, none of these states provide a voluntary contribution comparable to the one discussed in this bill.

FISCAL IMPACT

This bill would not impact the department's costs.

² Governor Schwarzenegger's veto message for AB 2017 is available at http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2001-2050/ab_2017_vt_20100925.html

³ Governor Schwarzenegger's veto message for SB 516 is available at http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0501-0550/sb_516_vt_20100925.html

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of SB 803 For Contributions Made On or After January 1, 2012 Enactment Assumed After June 30, 2011		
2011-12	2012-13	2013-14
N/A	-\$20,000	-\$20,000

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

ARGUMENTS

Pro: According to the author there are an estimated 200,000 minors who experience homelessness each year. Another 60,000 youth are in the foster care system, over 1,250 youth in California currently occupying juvenile justice facilities, and more than 2,500 youth are on parole from those facilities. Youth who are homeless, in the juvenile justice system, or in foster care have limited opportunities to participate in the policy process that impacts their well-being. This bill would provide more opportunities for youth civic engagement.

Con: There are currently 14 other voluntary contribution funds that appear on the personal income tax return. Some taxpayers may argue that the consistent addition of new funds on the tax return makes the return a cumbersome document and changes the primary purpose of the tax return from reporting taxes to making charitable contributions. Taxpayers who are inclined to contribute to this cause can do so through other voluntary methods.

LEGISLATIVE STAFF CONTACT

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